



California Department of Insurance

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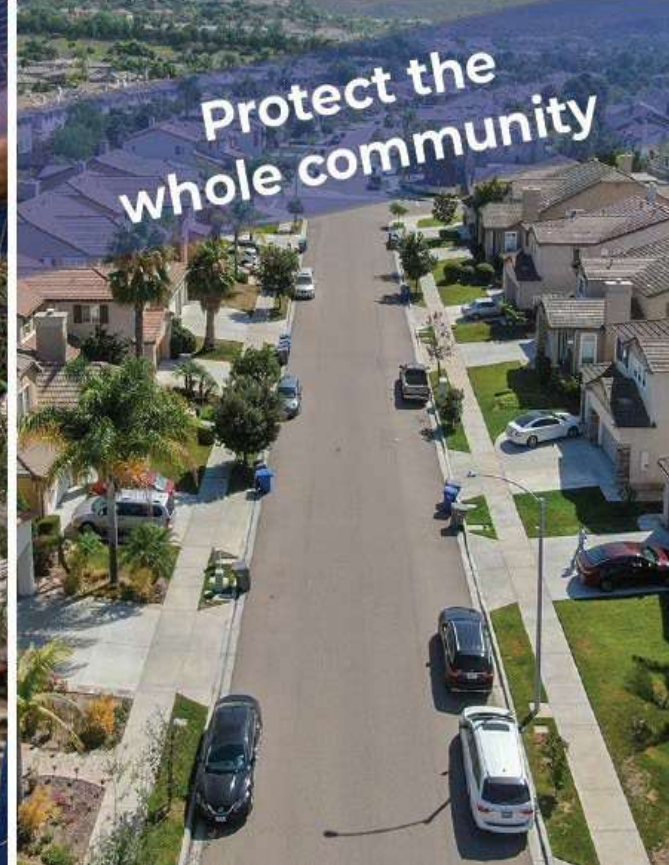
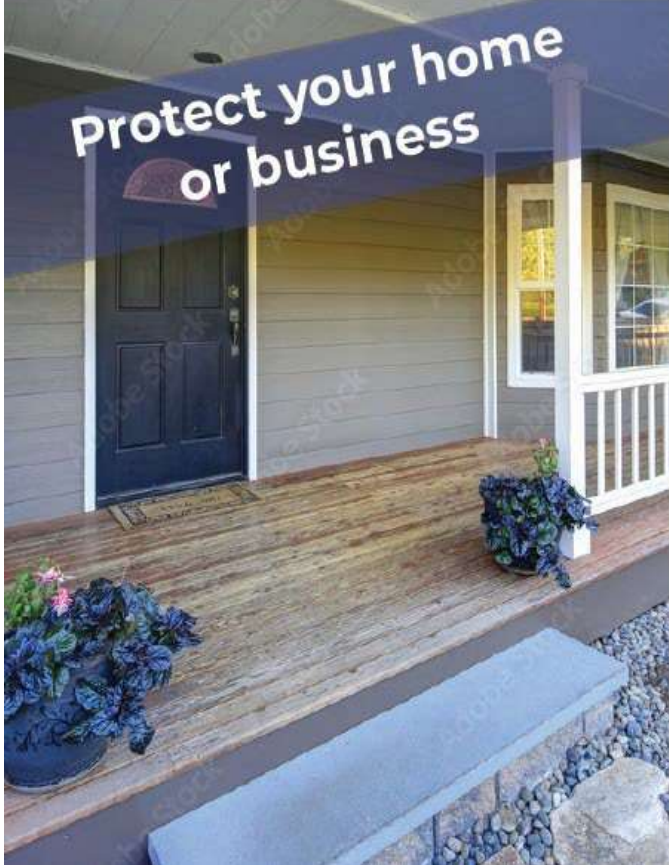


Insurance at a Crossroads in California

- Growing climate change threats
- Historic inflation
- Several insurers stopped writing and non-renewing policyholders despite approval of multiple rate increases
- Accelerated FAIR Plan growth
- Fewer options and higher costs
- Outdated decades-old regulations

Being Safer from Wildfires

Can Help With Your Insurance



Protect your home or business

- Class A fire-rated roof
- 5-foot ember-resistant zone around the structure
- Noncombustible 6 inches at the bottom of walls
- Ember- and fire-resistant vents
- Double pane windows or added shutters
- Enclosed eaves

Protect the immediate surroundings

- Cleared vegetation and debris from under decks
- Move sheds and outbuildings at least 30 feet away
- Trim trees and remove brush in compliance with state and local defensible space laws



Protect the whole community

- Neighborhoods can form a Firewise USA community
- Cities, counties, and local districts can become certified as a Fire Risk Reduction Community



Proposition 103 ~ Brief Overview



California voters passed Prop. 103 in 1988, requiring every property and casualty insurer seeking to change its rates to obtain elected Insurance Commissioner's prior approval

Insurance Commissioner has a responsibility to ensure that approved insurance rates are not "excessive, inadequate, unfairly discriminatory"

All information provided to Insurance Commissioner in rate review process must be available for public inspection

California is only state that requires rate filings to be open for public participation in rate review process



Past Rate Review Process

By statute under Prop. 103, Department must approve rate applications within 180 days upon receipt

However, delays largely due to:

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Insurers not submitting all necessary and complete information needed to support rate application and justify rate need

↓
Intervenor delays

↓
Outdated technology to reconcile data between Department and insurers

↓
Department staff bandwidth and continued review of successive +6.9% rate increase requests from insurers

Department has been hiring additional staff and re-directing vacancies to meet needs, in addition to Complete Rate Application regulation, intervenor transparency reforms, and filing timing/process efficiencies



- Streamline and improve Department's rate application approval process
- Introduce new risk management tools in ratemaking – Catastrophe Modeling and Reinsurance Costs
- Insurer commitments to write more policies in wildfire distressed areas and reduce FAIR Plan policies
- Strengthen and Modernize FAIR Plan

Insurance
Commissioner's
Sustainable
Insurance
Strategy
(Announced September 2023)

Governor's
Executive Order
N-13-23
To Strengthen
Property
Insurance Market

California Consumers Benefit with Insurers Increasing Writings in State



Insurance companies must commit to writing policies in high wildfire areas – which they are not legally required to do today



New regulations create pathways for this commitment to write for large companies, small to midsize companies, and new entrants into California insurance marketplace



Goal of achieving greater insurance availability for consumers, including decrease in amount of FAIR Plan policies that go back into admitted insurance market



Introduction of Catastrophe Modeling

- Use of historical losses are not as accurate, and do not take parcel-level and community-wide mitigation efforts into account
- While majority of other states allow the use of private catastrophe models in ratemaking, California cannot introduce such use without meeting the public transparency requirements of Prop. 103.

California had to:

1

Develop regulations to allow the use of catastrophe models in ratemaking while meeting Prop. 103 mandate for public review and transparency in addition to recognizing proprietary material contained in such models

2

Develop the process for incorporating catastrophe models into actuarial formulas in insurer rate filings

3

Identify "Distressed Areas" that the Department expects insurers to commit to writing more policies in *before* allowing them to incorporate the use of catastrophe models in ratemaking



Reinsurance in Ratemaking



Goal is to increase insurance availability to Californians across state



Insurers paying more to manage growing natural climate disaster losses and need to accurately reflect growing costs of writing insurance in California



Insurers commit to writing more policies in distressed areas *before* allowing them to incorporate California-only reinsurance costs in ratemaking



Modernizing FAIR Plan

- Historic consensus between Insurance Commissioner, FAIR Plan, and admitted market insurers
- More – yet temporary – comprehensive coverage with new \$20 Million commercial coverage per structure with overall limit of \$100 million for larger HOAs, housing developers, and larger businesses
- Necessary solvency protections added for FAIR Plan and participating admitted market insurers
- Increased public reporting for accountability

Sustainable Insurance Strategy





What's Next for SIS

- CDI approved catastrophe models
- Currently reviewing insurance companies' rate applications.
- Insurance companies are expected to have new policies available once the rate filings are approved

Sustainable Insurance Strategy





Consumer Protections

Financial Help for Wildfire Safety Upgrades

AB 888 (Assembly Member Lisa Calderon) – California Safe Homes Act: Offers grants to help homeowners afford fire-safe roofs and “Zone Zero” mitigation (within 5 feet of the home).

Stronger Insurance Discounts

AB 1 (Assembly Member Damon Connolly) – Insurance and Wildfire Safety Act: Requires regular updates to the Safer from Wildfires discount program to reflect the latest science and safety practices.

Nation’s First Public Wildfire Risk Model

SB 429 (Senator Dave Cortese) – California Wildfire Public Catastrophe Model Act: Creates a transparent, publicly accessible wildfire risk model.

Faster Payouts for Wildfire Survivors

SB 495 (Senator Ben Allen) – Eliminate “The List” Act: Guarantees 60% of contents coverage (up to \$350,000) without requiring a detailed inventory after a total loss.

Protection for Businesses and Non-Profits

SB 547 (Senators Sasha Renée Pérez and Susan Rubio) – Business Insurance Protection Act: Expands the insurance moratorium to include commercial policies, HOAs, affordable housing providers, and non-profits

FAIR Plan Financial Stability

AB 226 (Assembly Members Lisa Calderon and David Alvarez) – FAIR Plan Stability Act: Authorizes access to catastrophic bonds and credit lines to ensure timely claim payments

Online Tools Available at insurance.ca.gov



A screenshot of the California Department of Insurance website. The header shows "California Department of Insurance" and "RICARDO LARA Insurance Commissioner". Below the header is a navigation menu with "File a Complaint", "Consumers", "Seniors", and "Agents & Brokers". The main content area is titled "Home/Residential Insurance" and includes a "Shop Around" section. Below this section is a grid of tools and guides, including "Top 10 Tips for Finding Residential Insurance", "Residential Insurance Company Contact List", "Home Insurance Finder", "Compare Premiums", "List of Carriers Offering DIC Policies", "Companies Offering EQ Coverage", "Consumer Complaint Study", "Insurance Company Profiles", "Residential Informational Guides", and "Homeowners Coverage Comparison Tool".

Top Ten Tips



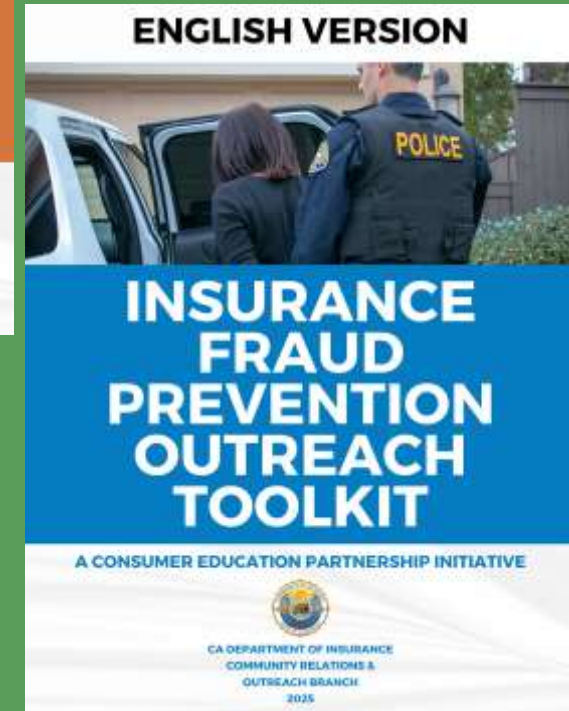
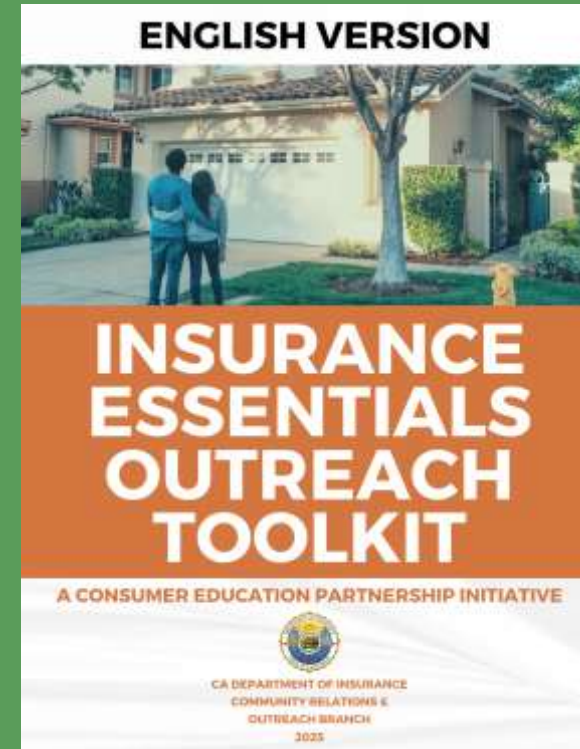
Insurance Finder Tool





How to Partner with Us

- Sign up for our Community Outreach and Education Partnership Initiative at <https://www.surveymonkey.com/r/VHGZQHT>
- This dynamic program is designed to increase consumer awareness about CDI's services and expand understanding of key insurance topics and fraud prevention.
- Get access to:
 - Comprehensive consumer education materials
 - Specialized training sessions
 - Powerful social media tools



A woman with long dark hair, wearing a teal-colored blouse, is sitting at a desk in an office. She is smiling and looking towards the camera. In the background, there is a computer monitor, a desk phone, and some office supplies. The text "INSURANCE ISSUES?" is overlaid on the right side of the image.

**INSURANCE
ISSUES?**

We can help

800-927-4357